

## **Debate on the role of FTAs in the global fight against poverty**

Recent data suggest that today more than 800 million people are suffering from hunger and are undernourished. About a quarter of the world's population has to survive on less than a dollar a day. The Millennium Declaration sets a clear time bound goal: halve by the year 2015, the proportion of the World's people living in absolute poverty.

Reports from the UN Secretary General on the implementation of 'the first United Nations Decade for the Eradication of Poverty' highlight in a straightforward manner the enormous challenges we face in order to fulfil the commitments made by the Millennium Declaration. The reports clearly stress the need for urgent action and list a number of important points in relation to best practices and lessons learned in the fight against poverty.

Over the years UN Members States have reached consensus on a variety of methods to eradicate poverty. One practice however is still the subject of a heated discussion; Free trade agreements are beyond any shadow of doubt the most contested/disputed policy instruments in the global fight against poverty. While major economic powers like the US government and the European Union promote free trade as the moving force behind economic growth and thus a prerequisite for the development of third world countries, many (Western) NGO's believe such agreements will only overshoot the mark and even worsen the current situation.

On 27 September 2002, the European Union and the ACP countries officially opened negotiations on Economic Partnership Agreements (EPAs). These negotiations are aimed at redefining the trade regime between the two groups of countries that will enter into force on the 1st of January 2008. This new breed of Free Trade Agreements (FTA) is replacing the Lomé system, which enabled the preferential access of ACP countries goods to the European market, but was considered as discriminatory for non-ACP countries by the World Trade. The new treaties aim to open up the ACP markets for European goods so that a more reciprocal relation can be established. The EU argues that the EPAs would stimulate the ACP to diversify their economies and bring about regional economic integration.

On the brink of this new era of trade relations between the EU and the ACP countries, the discussion has reached a new climax. One of Belgium's leading NGOs, 11.11.11, started a massive anti-EPA campaign. They claim that up till now the negotiations have mainly focused on the removal of tariff barriers. But it seems that all ACP countries stand to lose huge amounts of revenue, which could be pumped into social sector programmes, by removing customs duties on EU imports. This will constrain the implementation of article 25 of the Cotonou Agreement that aims to promote adequate levels of public spending in social sectors. The loss of funds is even more critical considering that the EU puts the onus on the ACP for any financial adjustments to be made for new trade arrangements. In addition, the NGOs claim that the influx of EU products fuelled by massive Common Agricultural Policy (CAP) subsidies, which will result from the removal of tariff barriers, could overwhelm ACP economies by putting a lot of poor men and women out of jobs and by damaging key export earning sectors in cash strapped and debt burdened ACP countries.

During all these discussions we seldom hear the voice of the ACP countries themselves. Over the past decade, the G-77 has been urging the developed countries to remove their trade barriers and subsidies. They have formally acknowledged that market access for the agricultural and manufactured exports as well as access to service markets in high-income countries would help create jobs in the developing countries and thus help them in their national policies and endeavours towards economic growth and poverty eradication. However when it comes to open up their own markets, they seem to be far more reluctant. Recently the President of the European Commission, José Manuel Barroso, publicly criticised the ACP countries for acting unresponsive to the new proposals of the EU. He also warned that if the proposals would not be accepted, they would not longer profit from the preferential access to the EU market.

At the EU-Africa summit, held in Lisbon on the 8<sup>th</sup> of December, no breakthrough was reached. The differing opinions on the Economic Partnership Agreements only became more visible. The EU argues that these treaties are good for development, offering African countries full access to the European market while allowing them to keep about 20% of their own markets closed to protect fragile domestic industries. Nevertheless some African countries, such as South Africa and Nigeria, argue that they are being bullied into making agreements by the end of the year. The Europeans state that the deals are designed to encourage regional integration in Africa. The Africans retort that by making separate deals with different countries they are doing exactly the opposite...

*The debate should generally focus on the utility of FTAs to eradicate poverty. The speakers are invited to reflect from personal experience on the topic during their 10 min. opening statement. The following questions can be used as guidelines:*

*-Have free trade agreements already proven useful or have they had a rather detrimental effect on developing economies? If so in which cases?*

*-What are the possible risks or benefits of the Economic Partnership Agreement between the EU and the ACP?*

*-To what extent will these EPAs be a more valid instrument than their predecessors to achieve the target of halving the proportion of the world's people living in absolute poverty?*

*-What changes have to be made to these agreements in order to make them more effective?*

*-NGOs claim the new treaties were more or less imposed on the ACP countries. Can we speak in that regard of fair negotiations?*